

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 462 – HB 552

January 31, 2014

SUMMARY OF ORIGINAL BILL: Requires any change to the debt structure of any debt issued by a local government entity to be approved by the Comptroller of the Treasury (COT) prior to being refunded, renewed, extended, or otherwise changed. Requires the COT to approve any debt prior to issuance by a local government entity. Requires the State Funding Board to establish guidelines for such approvals.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$205,800

SUMMARY OF AMENDMENT (011612): Requires certain local governments or local government instrumentalities to obtain the approval of the Comptroller of the Treasury before issuing any balloon indebtedness on and after July 1, 2014.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Not Significant

Other Fiscal Impact – If a plan for the issuance of balloon indebtedness by a local government is rejected by the Comptroller of the Treasury, local government could incur a fiscal impact. The exact fiscal impact is indeterminable due to multiple unknown factors.

Assumptions for the bill as amended:

- According to the Comptroller of the Treasury (COT), the provisions of the legislation will not result in an increase in state expenditures for staff or resources.
- According to COT, there will be a few instances in which a local government needs to issue balloon indebtedness that does not fall under one of the exceptions described in the legislation. COT assumes most local governments will restructure their repayment schedule to comply rather than submit balloon indebtedness proposals.
- It is assumed the required submission of plans by certain local governments to COT prior to issuing any balloon indebtedness will not result in any significant impact to local government.

SB 462 – HB 552

- However in the event a local government submits a plan for issuance of balloon indebtedness and such plan is rejected by COT, the local government could incur a fiscal impact. The exact fiscal impact to local government is indeterminable due to multiple unknown factors such as, the purpose the local government was seeking to issue balloon indebtedness and how local government expenditures and revenues will be impacted by the inability to complete any project requiring the issuance of balloon indebtedness.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jrh